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Anne W McNeill 10/06/2006 04:25:28 PM From DB/Inbox: Anne W McNeill

Cable  
Text:

UNCLAS WARSAW 02064

SIPDIS  
CXWARSAW:  
ACTION: ECON  
INFO: ADM MGT ORA FCS DCM AMB PAS POL

DISSEMINATION: ECOX  
CHARGE: PROG

APPROVED: ECON:LGRIESMER  
DRAFTED: ECON:DZIMMERMAN  
CLEARED: NONE

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DE RUEHWR #2064 2651538  
ZNR UUUUU ZZH  
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TO RUEHC/SECSTATE WASHDC IMMEDIATE 2065  
INFO RUCPDO/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE  
RUEHKB/AMCONSUL KRAKOW 1313  
RUEHBS/USEU BRUSSELS

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SIPDIS

SENSITIVE

STATE FOR EUR/NCE/BPUTNEY  
STATE PASS TO USTR FOR DONNELLY/ERRION  
COMMERCE FOR 4232/ITA/MAC/EUR/OECA/MROGERS, JBURGESS,  
JKIMBALL

E.O. 12958: N/A  
TAGS: [ETRD](#) [KIPR](#) [ECON](#) [PL](#)  
SUBJECT: POLAND: SECOND ROUND OF PRICE REDUCTIONS FOR  
INNOVATIVE DRUGS

¶1. (U) Sensitive but Unclassified/NOT for internet  
distribution

¶2. (SBU) At a September 15 meeting, Piotr Blaszczyk, the  
Acting Director of the Drug Policy and Pharmacy Department of  
the Polish Ministry of Health, issued a second round of price  
cuts to 27 pharmaceutical companies. The price reductions  
vary by company and product, and appear to range from 4 to 23  
percent. (Note: at a September 7 meeting with American  
companies, Deputy Minister of Health Boleslaw Piecha stated  
that the second round of price cuts would be from 5 to 8  
percent. End Note.) The price cuts apply only to sales of  
innovative drugs to hospitals, and affect approximately 100  
active substances comprising about 30 products. The cuts  
could become effective as soon as September 29.

¶3. (SBU) At the September 15 meeting, the Health Ministry  
delivered individual papers to each company via sealed  
envelope detailing the price cuts. The companies are  
required to respond to the Health Ministry by September 25 on  
whether they agree to the terms dictated by the Ministry  
(which could be done in writing) or wish to negotiate (which  
will be done in person on September 25 and 26). Companies  
generally do not believe that negotiating will change the  
situation or defer the price cuts, and could cause the Health  
Ministry to discontinue using them as suppliers. Some  
companies are considering not selling to the Health Ministry  
at the new prices as they will not be able to make a profit.  
The pharmaceutical companies all agreed that there was a

total lack of dialogue and transparency throughout the process.

¶4. (SBU) The Health Ministry explained to the companies that it arrived at the new prices by asking other European countries for their pricing lists; by surveying 320 Polish hospitals for their pricing data (which had been previously negotiated with each pharmaceutical company on an individual basis); and by examining global sales data in IMS. (Note: IMS is the leading global provider of business intelligence for the pharmaceutical and healthcare industries. End note.)

The Health Ministry also directly requested more information from 27 companies on their products and pricing, to which 22 companies reportedly responded. Beyond this, the Health Ministry did not explain its methodology or evaluation criteria for selecting the products which were reduced in price. According to the pharmaceutical companies, the products selected for price reductions tended to be their most expensive.

¶5. (SBU) Comment: This second round of price cuts follows an initial round of price cuts which reduced the reimbursement price by up to 13 percent for imported pharmaceuticals and pharmaceuticals manufactured in Poland by foreign firms using imported active ingredients. Prices were not cut for domestic producers in either round. During the first round of cuts the Ministry of Health speciously explained that the cuts were necessary because of "exchange rate fluctuations". Apparently learning from this experience, the Ministry offered no explanation for the second round of cuts. American and European innovative pharmaceutical companies are increasingly frustrated by the Ministry's non-transparent price cuts and lack of dialogue. Post will continue to work with the companies to try to foster a constructive, transparent dialogue with the Ministry of Health.

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